

COMPANY RESULTS

CIMB Group (CIMB MK)

2Q25: Recovery Underway

CIMB's 2Q25 results were in line, supported by cost discipline and strong trading gains, with PPOP up 5% qoq on sustained NOII momentum. Maintain BUY and target price of RM8.25 (1.14x 2026F P/B, ROE: 11.2%). The stock remains a laggard (-8% ytd vs KLFIN -4%), compressing valuations to an attractive 1.0x 2026 P/B, below the sector average of 1.1x, despite stronger ROE (11% vs sector's 10%).

RESULTS

- **In line.** CIMB reported a 2QFY25 net profit of RM1,89b (-3% yoy, -4% qoq), bringing 1H25 earnings to RM3.86b (-0.5% yoy). On a constant currency basis, 1H25 earnings grew 3.3% yoy, which is commendable given NIM headwinds. We deem the results in line, with 1H25 earnings at 50% of both our and consensus full-year estimates. 1H25 earnings were flattish as NIM pressure (-5bps) was offset by lower impairment.
- **2Q25 yoy.** 2Q25 earnings dipped 3% yoy, weighed by NIM pressure (-8bps yoy) and higher credit cost on lower lumpy writebacks. This was partly offset by positive JAWS, as strong cost discipline led to a slight improvement in the cost to income ratio.
- **2Q25 qoq.** On a qoq basis, earnings contracted 4% due to a higher effective tax rate of 27% and elevated net credit cost from additional pre-emptive provisions and lower recoveries. However, pre-provision operating profit rose a commendable 5% qoq, supported by sustained non-interest income momentum (+5% qoq) from strong trading gains (+10% qoq) and solid cost discipline, driving positive JAWS.
- **Preserving 2Q25 NIM despite challenging interest rate environment.** Net interest income was flattish yoy and qoq, weighed by FX translation and yoy NIM compression. Despite rate cuts in Indonesia and Thailand, coupled with sharply lower SORA in Singapore, group NIM held firm with only a 1bp qoq dip, supported by proactive funding cost management and strong CASA growth (+10% yoy), including the release of expensive wholesale deposits in Malaysia and deposit re-pricing in Singapore. We maintain our 2025 NIM compression forecast of 5bps vs management's guidance of -5 to -8bp in 2025. Geographically, 2Q25 NIM improved sequentially in Malaysia and Singapore but softened in Indonesia and Thailand on aggressive rate cuts.
- **Non-interest income (NOII) growth momentum continues.** 2Q25 non-interest income rose 5.3% qoq, driven by stronger trading income (+10.3%) but partly offset by softer fee income (-5%). For 1H25, NOII fell 4% yoy, mainly due to lower NPL sales at CIMB Niaga versus a high 2024 base. Despite strong 2Q25 trading gains, management highlighted that most of its FVOCI reserve unrealised gains remain unrealised, with a sizeable RM674m positive swing in 1H25 bringing it to a gain of RM157m from a RM515m loss in Jan 25.
- **Loans growth remains muted.** Group loans grew 1.0% yoy, or 3.6% on a constant currency basis, with headline growth dampened by regional currency weakness. By segment, growth was led by commercial (+4.2%) and consumer (+2.7%), while corporate loans declined 3.9%. Regionally (constant currency), Singapore (+9.0%) and Indonesia (+6.8%) outperformed, while Malaysia (+2.6%) remained steady and Thailand (-2.6%) contracted. Management maintained its 5%-7% loan growth guidance for FY25

KEY FINANCIALS

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net interest income	11,087	11,367	11,439	12,257	13,296
Non-interest income	5,670	6,197	6,437	6,803	7,207
Net profit (rep./act.)	6,985	7,731	7,811	8,490	9,236
Net profit (adj.)	6,985	7,731	7,811	8,490	9,236
EPS (sen)	65.7	71.8	72.5	78.8	85.8
PE (x)	11.3	10.3	10.2	9.4	8.7
P/B (x)	1.2	1.2	1.1	1.0	1.0
Dividend yield (%)	5.8	6.3	5.3	5.8	6.3
Net int margin (%)	2.33	2.29	2.25	2.26	2.27
Cost/income (%)	46.9	46.7	48.2	48.0	47.5
Loan loss cover (%)	97.0	105.3	111.8	112.9	116.7
Consensus net profit	-	-	7,918	8,331	9,877
UOBKH/Consensus (x)	-	-	0.99	1.02	0.94

Source: CIMB Group, Bloomberg, UOB Kay Hian

BUY

(Maintained)

Share Price	RM7.43
Target Price	RM8.25
Upside	11.0%

COMPANY DESCRIPTION

CIMB Group is Malaysia's largest investment bank and second-largest consumer bank and one of Southeast Asia's leading universal banking groups

STOCK DATA

GICS sector	Financials
Bloomberg ticker:	CIMB MK
Shares issued (m):	10,750.2
Market cap (RMm):	79,948.5
Market cap (US\$m):	18,956.4
3-mth avg daily t'over (US\$m):	27.0

Price Performance (%)

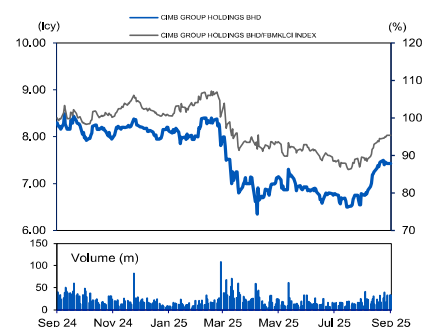
52-week high/low			RM8.50/RM6.21	
1mth	3mth	6mth	1yr	YTD
11.9	8.0	(4.9)	(6.3)	(9.4)

Major Shareholders

	%
Khazanah Nasional Berhad	21.5
EPF	16.5
Amanah Saham Nasional	9.9

FY24 NAV/Share (RM)	6.80
FY24 CAR Tier-1 (%)	15.30

PRICE CHART



Source: Bloomberg

ANALYST(S)

Keith Wee Teck Keong
+603 2147 1981
keithwee@uobkayhian.com

- **Cost discipline maintained.** Operating expenses fell 1% qoq and were flattish yoy, with cost discipline maintained across key segments; only marketing costs rose due to campaigns. Consequently, the cost to income ratio (CIR) improved qoq to 45.5% (1Q25: 46.9%). On a 1H25 basis, the CIR inched up 1ppt, reflecting NIM headwinds, though overall opex remained flattish yoy.
- **Asset quality remains intact.** GIL ratio improved to 2.1% in 2Q25 (1Q25: 2.2%), though net credit cost rose 6bps qoq to 32bps due to the absence of lumpy writebacks in Indonesia and the domestic consumer book. This brings 1H25 net credit cost to 29bps, well within management's 25–35bps guidance and in line with our 28bps assumption. Loan loss coverage held steady at 101% (vs pre-pandemic average of 80%), with RM600m of management overlays allocated to buffer macro risks from US tariffs (consumer: ~RM400m, SME: ~RM200m).
- **Prioritising asset quality stability over loans growth.** Management believes its disciplined and measured loan growth strategy, with a focus on maintaining stable asset quality, positions the group well to withstand potential asset quality stresses arising from US tariff risks.
- **Capital remains healthy.** CIMB's Common Equity Tier 1 (CET1) ratio stood at 14.7% as at end-2QFY25. Although management has not indicated plans for additional special dividends in 2025 and beyond, they have emphasised their commitment to maintaining an efficient capital structure. Our forecast assumes a recurring dividend payout ratio of 55%, translating to a relatively attractive yield of 5.3%.
- **2025 guidance.** Management's key 2025 guidance as follows: a) ROE 11.0%-11.5%, b) loans growth: 5%-7%, c) net credit cost: 25-35bp, and d) NIM: -5 to -8bp.
- **2H25 outlook: Improving growth trajectory.** Management is cautiously optimistic on 2H25, expecting business confidence to recover with greater clarity on the US tariffs, driving higher drawdowns from its healthy wholesale banking pipeline. Additional upside could come from improving liquidity in Indonesia following recent rate cuts, which should ease funding costs and support NIM. This will, however, be partly offset by the 25bps OPR cut in Malaysia, though the impact is expected to ease by 4Q25 as deposits reprice downward.

KEY ASSUMPTIONS

(%)	2025F	2026F	2027F
Loan Growth	5.0	5.2	5.5
Credit Cost (bp)	35.0	32.0	30.0
ROE	11.1	11.2	11.2

Source: UOB Kay Hian

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) UPDATES

• Environmental - Green loan commitment. To provide RM30b in sustainable financing by 2040. - Zero new coal financing. Transition all stakeholders to zero carbon emission by 2050. • Social - Board and upper management gender diversity. Maintained 30% female directors on the Board. - Enhanced financial inclusion to B40. Provide greater financial inclusion for vulnerable communities (affordable housing financing) and welfare assistance to vulnerable communities, especially the B40 consumers. • Governance - Non-independent board of directors composition. Composition of Independent Non-Executive Directors (INED) – 60%.

Source: UOB Kay Hian

EARNINGS REVISION/RISK

- **No change.**

VALUATIONS AND RECOMMENDATIONS

- **Maintain BUY and target price of RM8.25 (1.14x 2026F P/B, 11.2% ROE).** The stock remains a sector laggard, down 8% ytd vs the KLFIN Index's 4% decline. This has compressed valuations to an appealing 1.0x 2026 PBV, below the sector average of 1.1x despite generating higher ROE of 11% vs the sector's 10%. The ytd sell-down partially stemmed from tighter liquidity in Indonesia pressuring CIMB Niaga's NIMs, but conditions began easing in Jun 25 and with the resumption of Fed rate cuts set to further improve liquidity. Potential earnings catalysts include improving liquidity conditions in Indonesia to drive recovery in NIM and stronger-than-expected non-interest income from trading gains.

2Q25 RESULTS

Profit & Loss (RMm)	2Q25	2Q24	yoy % chg	1H25	yoy % chg	Remarks
Net Interest Income	2,798.2	2,813.4	(0.5)	5,620.7	(1.0)	
Islamic Banking	1,266.7	1,229.4	3.0	2,481.1	5.5	
Fees & Commissions	581.7	621.2	(6.4)	1,196.5	(0.1)	
Other Operating Income	965.3	939.1	2.8	1,818.7	(9.3)	
Total Income	5,612.0	5,603.1	0.2	11,116.9	(1.0)	
Operating Expenses	(2,551.2)	(2,573.4)	(0.9)	(5,130.9)	0.1	
PPOP	3,060.8	3,029.7	1.0	5,985.9	(2.0)	
Allowance for impairment on loans	(408.5)	(316.0)	29.3	(696.1)	(3.4)	
Impairment on securities	4.4	17.0	(74.4)	(19.0)	(76.7)	
PBT	2,657.8	2,730.2	(2.7)	5,290.7	(0.3)	
Net Profit	1,899.0	1,961.5	(3.2)	3,878.2	(0.5)	
EPS (sen)	20.9	21.7	(3.7)	42.7	(0.9)	
DPS (sen)	19.8	27.0	(26.9)	19.8	(26.9)	
Financial Ratios (%)	2Q25	2Q24	yoy ppt chg	1Q25	qoq ppt chg	
NIM	2.15	2.22	(0.8)	2.16	(0.1)	
Loan Growth, yoy	1.0	4.2	-3.2	4.5	-3.5	
Deposit Growth, yoy	2.7	2.2	0.5	0.0	2.7	
Cost/Income Ratio	45.5	45.9	(0.5)	46.9	(1.4)	
ROE	10.8	11.4	(0.6)	11.4	(0.6)	
NPL Ratio	2.1	2.5	(0.4)	2.2	(0.0)	
Credit Costs (bp)	32.0	20.0	12.0	26.0	5.0	
CET-1 CAR	14.7	14.5	0.2	14.7	0.0	

Source: UOB Kay Hian

PROFIT & LOSS

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Interest income	26,630	27,462	29,237	31,356
Interest expense	(15,263)	(16,022)	(16,979)	(18,060)
Net interest income	11,367	11,439	12,257	13,296
Fees & commissions	2,349	2,490	2,789	3,124
Net trading income	3,295	3,394	3,462	3,531
Other income	552	552	552	552
Income from islamic banking	4,741	5,025	5,327	5,646
Total income	22,304	22,901	24,387	26,149
Staff costs	(6,347)	(6,855)	(7,407)	(8,005)
Other operating expense	(4,073)	(4,190)	(4,302)	(4,406)
Pre-provision profit	11,884	11,855	12,679	13,738
Loan loss provision	(1,369)	(1,292)	(1,205)	(1,265)
Other provisions	(135)	(150)	(149)	(148)
Associated companies	19	73	74	75
Other non-operating income	0	0	0	0
Pre-tax profit	10,399	10,487	11,399	12,400
Tax	(2,477)	(2,517)	(2,736)	(2,976)
Minorities	(191)	(159)	(173)	(188)
Net profit	7,731	7,811	8,490	9,236
Net profit (adj.)	7,731	7,811	8,490	9,236

BALANCE SHEET

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Cash with central bank	10,647	16,145	16,872	17,715
Govt treasury bills & securities	16,232	16,557	16,888	17,226
Interbank loans	5,168	5,638	6,151	6,711
Customer loans	442,163	449,917	469,469	492,306
Investment securities	194,389	217,758	243,822	272,892
Derivative receivables	15,022	16,825	18,844	21,105
Associates & JVs	2,335	2,452	2,574	2,703
Fixed assets (incl. prop.)	2,562	2,448	2,333	2,214
Other assets	66,612	72,711	79,513	87,104
Total assets	755,131	800,450	856,466	919,977
Interbank deposits	45,445	48,457	51,680	55,128
Customer deposits	496,394	511,286	531,737	553,007
Derivative payables	61,652	64,262	66,984	69,823
Debt equivalents	25,716	25,716	25,716	25,716
Other liabilities	55,085	75,491	100,506	131,452
Total liabilities	684,292	725,212	776,623	835,126
Shareholders' funds	69,444	73,683	78,115	82,935
Minority interest - accumulated	1,395	1,554	1,728	1,916
Total equity & liabilities	755,131	800,450	856,466	919,977

OPERATING RATIOS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Capital Adequacy				
Tier-1 CAR	14.6	15.6	15.5	15.4
Total CAR	18.3	20.1	19.8	19.4
Total assets/equity (x)	10.9	10.9	11.0	11.1
Tangible assets/tangible common equity (x)	12.2	12.1	12.1	12.2
Asset Quality				
NPL ratio	2.1	2.2	2.3	2.3
Loan loss coverage	105.3	111.8	112.9	116.7
Loan loss reserve/gross loans	2.2	2.5	2.6	2.7
Increase in NPLs	(18.7)	6.2	9.6	6.5
Credit cost (bp)	31.0	28.0	25.0	25.0
Liquidity				
Loan/deposit ratio	89.1	88.0	88.3	89.0
Liquid assets/short-term liabilities	5.9	6.8	6.8	6.8
Liquid assets/total assets	4.2	4.8	4.7	4.5

KEY METRICS

Year to 31 Dec (%)	2023	2024F	2025F	2026F
Growth				
Net interest income, yoy chg	2.5	0.6	7.2	8.5
Fees & commissions, yoy chg	5.2	6.0	12.0	12.0
Pre-provision profit, yoy chg	6.5	(0.2)	6.9	8.4
Net profit, yoy chg	10.7	1.0	8.7	8.8
Net profit (adj.), yoy chg	10.7	1.0	8.7	8.8
Customer loans, yoy chg	3.0	1.8	4.3	4.9
Customer deposits, yoy chg	2.9	3.0	4.0	4.0
Profitability				
Net interest margin	2.29	2.25	2.26	2.27
Cost/income ratio	46.7	48.2	48.0	47.5
Adjusted ROA	1.0	1.0	1.0	1.0
Reported ROE	11.2	10.9	11.2	11.5
Adjusted ROE	11.2	10.9	11.2	11.5
Valuation				
P/BV (x)	1.2	1.1	1.0	1.0
P/NTA (x)	1.3	1.2	1.1	1.1
Adjusted P/E (x)	10.3	10.2	9.4	8.7
Dividend Yield	6.3	5.3	5.8	6.3
Payout ratio	65.5	54.2	54.2	54.2

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